

## Message Text

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PAGE 01 ISLAMA 05382 050910 Z

20/15

ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 L-03 IO-13 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 DODE-00 PA-03 USIA-12 PRS-01 RSR-01

/152 W

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R 050655 Z JUL 73

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 9891

INFO AMEMBASSY DACCA

AMEMBASSY NEW DELHI

UNCLAS ISLAMABAD 5382

E. O. 11652: N/ A

TAGS: EFIN, EAID, PK

SUBJ: LOCAL PRESS REACTION TO CONSORTIUM DEBT RELIEF

1. GOP - CONTROLLED PAKISTAN TIMES FOR JULY 4 CARRIED  
FRONT PAGE ARTICLE BY ASLAM SHEIKH ENTITLED " INTERIM  
ACCORD WITH CONSORTIUM ON DEBT RELIEF. LIABILITY."  
TEXT FOLLOWS:

2. " PAKISTAN AND THE WESTERN CONSORTIUM HAVE AGREED  
ON AN INTERIM ARRANGEMENT RELATING TO ISLAMABAD'S DEBT  
LIABILITY, PARTIALLY RESOLVING THE DEADLOCK ON THE REPAYMENT  
ISSUE OF LOANS CONSUMED IN BANGLADESH.

" HAMMERED OUT AFTER PROTRACTED NEGOTIATIONS, THE THREE-  
POINT AGREEMENT STIPULATES THE FOLLOWING:

-- PAKISTAN WILL BE ALLOWED A SHORT- TERM DEBT RELIEF  
( FOR 1973-74) ON REPAYMENTS OF 115 MILLION DOLLARS.  
THIS WILL VIRTUALLY IMPLY SUSPENSION OF REPAYMENT OF  
70 MILLION DOLLARS FOR CREDITS SPENT IN EAST PAKISTAN.

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AA ISLAMABAD WILL NOT BE FINANCIALLY ANSWERABLE  
BEYOND JUNE 1974 FOR PROJECT LOANS DISBURSED IN EAST  
PAKISTAN. THESE LOANS COMPRISE THREE- FOURTH OF THE TOTAL  
DEBT LIABILITY PERTAINING TO EAST PAKISTAN, AND  
-- THE LONG- TERM RE- SCHEDULING OF WEST PAKISTAN' S DEBT  
WILL BE DECIDED BY JUNE NEXT YEAR.

" UNDER THAT ARRANGEMENT, THE PROBLEM OF REPAYMENTS OF  
COMMODITY LOANS UTILISED IN WHAT WAS EAST PAKISTAN BEFORE  
DECEMBER 1971 WILL ALSO BE SORTED OUT.

" ACCORDING TO INFORMED SOURCES HERE, THE WORLD BANK WILL  
BE SUBMITTING TO THE CONSORTIUM MEMBERS DETAILED RE- COMMENDATIONS  
BY EARLY NEXT YEAR ON RE- SCHEDULING OF WEST PAKISTAN' S DEBT  
LIABILITY ON THE LONG- TERM BASIS. THIS STUDY WILL FORM THE  
BASIS OF DISCUSSION AT THE CONSORTIUM MEETING PROPOSED FOR  
JUNE NEXT YEAR.

" THE AGREEMENT HAS BEEN CONCLUDED WELL IN TIME TO  
AVERT THE THREATENED BREAKDOWN OF ECONOMIC RELATIONS  
BETWEEN PAKISTAN AND THE CONSORTIUM COUNTRIES. THE EARLIER  
26- MONTH DEBT RELIEF AGREEMENT EXPIRED ON JUNE 30 TH  
THIS YEAR. IT IS UNDERSTOOD THAT THE AGREEMENT NOW WORKED  
OUT WILL ALSO REMOVE ANY UNCERTAINTY ABOUT THE COMMITMENT  
OF FRESH COMMODITY LOANS TALLING ABOUT 170 MILLION  
DOLLARS.

" WHILE IT HAS NOT FINALLY DECIDED ON THE IMMEDIATE  
BIFURCATION OF TOTAL PRE- DECEMBER 1971 DEBT BETWEEN  
ISLAMABAD AND DACCA, IT HAS GONE FAR ENOUGH TO CONCEDE  
SUBSTANTIALLY PAKISTAN' S POSITION ON THE ISSUE.

" THE MAIN ELEMENT OF THE AGREEMENT VIRTUALLY ABSOLVES  
PAKISTAN OF THE RESPONSIBILITY TO REPAY LOANS SPENT ON  
SPECIFIC PROJECTS BEYOND JUNE 1974 IN ANY CASE. OF THE  
TOTAL DEBT OF 3.4 BILLION DOLLARS TO THE MEMBERS OF THE  
CONSORTIUM, AROUND 1.3 BILLION DOLLARS RELATE TO BANGLADESH.  
THE SUBSTANTIAL PART OF THE LATTER AMOUNT WAS IN FACT,  
IN THE FORM OF THE PROJECT LOANS.

" FOR THE CURRENT FINANCIAL YEAR, THE AGREEMENT WILL  
VIRTUALLY PERMIT PAKISTAN TO STOP REPAYMENTS RELATING  
TO BANGLADESH. THESE AMOUNT TO 70 MILLION DOLLARS.  
THE AGREEMENT WILL REDUCE PAKISTAN' S ANNUAL LIABILITY  
FOR THE CURRENT FINANCIAL YEAR TO ABOUT 125 MILLION  
DOLLARS.

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" IT IS, HOWEVER, OBVIOUS THAT THE CONSORTIUM HAS FOR  
THE TIME BEING EVADED THE STRICTLY LEGAL ASPECT OF THE  
DEBT ISSUE. ITS VIEW IS REPORTED TO BE THAT IT WAS FOR  
ISLAMABAD AND DACCA TO DECIDE ON THE DEVISION OF THE  
OVERALL DEBT LIABILITY. IT HAS ALSO INDICATED ITS  
WILLINGNESS TO ACCEPT WHATEVER IS MUTUALLY DECIDED

BY THE TWO."  
SOBER

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NNNNMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

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